

## | SECTION 18. |FEDERAL RETIREMENT SYSTEMS|

\*\*EffDte: 05/27/1993 MCRT#: 28    Div: D3    Cav:    SecCls:

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DATE 02-21-2007 BY 60324 AUC BAW/CPB/STP

### 18-1    INTRODUCTION

|        |All FBI employees are covered by one of two retirement  
| systems, the Civil Service Retirement System (CSRS) or the Federal  
| Employees Retirement System (FERS). All employees first hired into a  
| Federal civilian position on or after 1/1/84 are covered by FERS.  
| Employees who reinstate to Federal service and are exempt from FERS  
| because of a previous period of service under CSRS have six months  
| from the date of reinstatement to transfer to FERS if they had more  
| than three days break in service. |

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#### | 18-1.1   Submission of Request for Employee Retirement|Certificate|

|        |Heads of offices may request a congratulatory  
| |certificate|from the Director for retiring employees by submitting an  
| FD-931 (Request for Employee Retirement|Certificate). | Forms should be  
| submitted to the|Executive Secretariat Unit, Records Management  
| Division, |30 days in advance of the retirement date (if possible).  
| Employees must have 20 years of cumulative|federal government|service  
| in order to be eligible for a|certificate, |and there should be nothing  
| in the employee's work record which would preclude him/her|from|  
| receiving a congratulatory|certificate|from the Director. Exceptions  
| are made for employees with fewer years of service who retire on  
| disability. |Certificates|will be sent to the heads of offices for  
| presentation or delivery.

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#### | 18-2    |CIVIL SERVICE RETIREMENT SYSTEM (CSRS)

|        |CSRS is the original Federal retirement system, created by  
| Congress in 1920. CSRS benefits are in the form of a single annuity  
| based on a retired Federal employee's longevity and salary history.  
| The United States Office of Personnel Management (OPM) administers  
| CSRS. While many CSRS-covered employees also earn benefits from  
| Social Security and the Thrift Savings Plan (TSP), they are not a part  
| of CSRS. |

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## | 18-2.1 |Eligibility|

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### | 18-2.1.1 |Immediate Retirement

|            Employees are vested after five years of civilian service  
| and are eligible for an immediate annuity if they have at least one  
| year of civilian service under CSRS during the two years prior to  
| separation. Age and years-of-service requirements are shown below:

AGE	YEARS OF SERVICE	SPECIAL CONDITIONS
62	5	None
60	20	None
55	30	None
50	20	Annuity reduced if under age 55; must be involun- tarily separated (i.e., major reorganization or reduction in force (RIF)).
Any	25	
50	20	Law Enforcement (at least 20 years of Federal civil- ian law enforcement officer service)

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### 18-2.1.2    Mandatory Retirement

|            |Section 8335 (b), Title 5, United States Code requires a  
| law enforcement officer to|retire no later than the end  
| of the month in which they become age 57, provided they have at least  
| 20 years of law enforcement service. If they do not have 20 years of  
| law enforcement service at the age of 57, they must retire no later  
| than the last day of the month in which they acquire 20 years of law  
| enforcement service. |Exceptions to mandatory retirement may be made  
| by the agency head as described in MAOP, Part I, 18-2.1.3.|

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**| 18-2.1.3 Exception to Mandatory Retirement (See MAOP, Part 1, 18-2.1.2|and 18-3.1.4.)|**

(1) The Attorney General has delegated to the Director of the FBI the authority to grant exceptions to mandatory retirement to Special Agents (SAs) whose continued service is required by the public interest and would promote the mission of the FBI. Exceptions will be made on a case-by-case basis for up to one year at a time and can be made up to the month in which the Agent will reach 60 years of age. A recommendation from the division head for exception must be submitted to the|Administrative Services|Division no more than six months prior to the mandatory retirement date. Members of the Senior Executive Service (SES) should submit their requests for exception to the Director 18 months prior to their mandatory retirement date. The request for exception should include the following:

(a) The SA's name, date of birth, length of law enforcement service, and date of mandatory retirement;

(b) The SA's grade, series, title, organizational title, and duty location;

(c) A statement that the SA is willing to remain in government service for the length of the exception;

(d) A thorough description of the reasons the SA's retention is required by the public interest and would promote the needs of the FBI in fulfilling its mission;

(e) The requested duration of the exemption; and

(f) A certification by the SA's division head or SAC that the proposed exemption is required by the public interest and would promote the needs of the Bureau in fulfilling its mission.

(2) No more than 20 exceptions for members of the SES may be granted at any given time. Any SES member who is a Special Agent and desires to extend his/her Bureau service must make their intentions known by submitting a communication to the Director approximately 18 months prior to reaching their mandatory retirement date. The communication must specify to what age or date the requestor desires to continue service, not to exceed age 60. Any SES member considering this option is encouraged to discuss the matter fully with the Director.

(3) The SES Board, chaired by the Deputy Director and staffed by the Assistant Directors of the Criminal Investigative, Finance, Inspection, National Security,|Administrative Services,| Information Resources, and Training Divisions, as well as the Chairperson of the Special Agent Mid-Level Management Selection

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Board will review requests for extended service and provide a recommendation to the Director. The Director will then serve as the final authority for approving/denying the request.

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**| 18-2.2 |Credit For Service (See 18-3.2.)**

| Credit is given for years, months, and days of civilian service, military service, and accrued sick leave on the date of retirement. (See important details concerning military deposits in Section 18-2.9.) Approximately 174 hours of sick leave provide an additional month of service. After combining all service and sick leave, only years and months of service are used in computing the annuity. For example:

	YEARS	MONTHS	DAYS
Civilian service	28	8	12
Military service	2	0	0
Sick leave	0	10	25
Total	30	18	37
equals	31	7	7
Used to compute annuity	31	7	

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**18-2.3 "High-Three" Average Salary (See 18-3.3.)**

The total service (years and months) and the "high-three" average salary are the two factors used in computing the annuity. Any consecutive three years of service may be used for the "high-three" average. Although the average must be from three consecutive years, it does not have to be three calendar years. For example, the three-year period can be from 3/27/92 through 3/26/95. Basic pay, |Availability Pay (AVP), and locality pay are used in determining the "high-three" average salary.

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**| 18-2.4 Computing the Annuity (See 18-2.10(3), 18-3.4(2) and 18-5.4.)**

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The general formula used to determine the amount of the annual CSRS benefit is:

1.5% X "high-three" average X each of first five years

| plus

1.75% X "high-three" average X each of next five years

plus

2% X "high-three" average X each year over ten years

Special law enforcement retirement rules provide the following annuity computation for Special Agents:

2.5% X "high-three" average X each of first 20 years

| plus

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| 2% X "high-three" average X each year over 20|
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### 18-2.5 Contribution Rates

Employees contribute 7 percent of base pay and locality pay into the CSRS. Agents pay 7.5 percent of base pay, locality pay and availability pay into the CSRS.

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### **18-2.6 Voluntary Contributions (See 18-2.8(1), 18-2.9(5) and 18-3.7(2).)**

Employees covered by CSRS may make voluntary contributions to CSRS by filing Standard Form 2804. Voluntary contributions will earn a variable interest rate, compounded annually. Any indebtedness to CSRS such as deposits or redeposits must be paid prior to making voluntary contributions. (See Sections 18-2.7 and 18-2.8 for information on deposits and redeposits.) Voluntary contributions are made directly to the United States Office of Personnel Management (OPM) and must be made in \$25 increments. The amount of voluntary contributions is limited to 10 percent of the total of the employee's pay from the date he/she was first hired by the government. The full amount of voluntary contributions may be withdrawn at any time prior to retirement; however, a tax penalty for early withdrawal from a retirement account may apply on the interest income if a withdrawal is made prior to age 55. Interest may be rolled over to another eligible

| retirement account to avoid paying taxes and a penalty on the  
| interest. |

Voluntary contributions may remain in CSRS after retirement and will be used to increase the annuity. Each \$100 of voluntary contributions will provide an additional benefit of \$7 per year, plus 20 cents for each full year the annuitant is over age 55 at the time of retirement.

Interest rates on CSRS contributions have been as follows:

1985--13.0 percent	1993--7.125 percent
1986--11.125 percent	1994--6.25 percent
1987--9.0 percent	1995--7 percent
1988--8.375 percent	1996--6.875 percent
1989--9.125 percent	1997--6.875 percent
1990--8.75 percent	1998--6.75 percent
1991--8.625 percent	1999--5.75 percent
1992--8.125 percent	

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### | 18-2.7 Deposits (See 18-2.6 and 18-3.7(2).)

| Employees who entered on duty between approximately 1951  
| to 1978 and were appointed to a nonlaw enforcement position were  
| considered on temporary appointments. Those employees were covered by  
| Social Security and were not covered by CSRS until converted to  
| permanent appointments (usually after three years). At the time of  
| retirement, credit will be given for the years of temporary service;  
| however, the annuity will be reduced by 10 percent of the amount of  
| the deposit owed on the date of retirement (including interest).  
| Interest on deposits accrues at the rate of 3 percent per year,  
| compounded annually, for any nondeduction service prior to 10/1/82.  
| Unpaid deposits can be paid at any time prior to retirement by filing  
| Standard Form 2803.

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### 18-2.8 Redeposits (See 18-2.6 and 18-3.8(2).)

(1) A redeposit is the amount owed to CSRS for a refund of CSRS contributions for a previous period of service. Interest accrues on redeposits and is compounded annually. For refunds prior to October 1, 1982, the interest is compounded at 3 percent per year, regardless of when the employee begins the redeposit or how long he/she needs to complete it. For refunds on or after October 1, 1982, the interest is compounded at 3 percent per year through December 31, 1984, then at variable rates as shown under Section 18-2.6.

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(2) Redeposits may be paid any time prior to retirement by filing Standard Form 2803. If a redeposit for refunded service prior to October 1, 1990, is not paid, the annuity will be actuarially reduced. The amount of the reduction depends upon the amount owed at time of retirement (including accrued interest) and the employee's life expectancy.

(3) The following table of factors is used to determine the reduction. The total amount of the redeposit owed, including interest, is divided by the factor for the age of the employee on the date of retirement. The result is the amount of the monthly reduction in the CSRS annuity.

CSRS  
PRESENT VALUE FACTORS

For annuities commencing on or after October 1, 1997

AGE AT RETIREMENT	REDUCTION FACTOR	AGE AT RETIREMENT	REDUCTION FACTOR
40	271.2	66	156.8
41	267.1	67	152.0
42	263.3	68	147.1
43	259.9	69	142.3
44	256.5	70	137.1
45	252.5	71	131.9
46	248.4	72	126.7
47	244.4	73	121.5
48	240.2	74	116.2
49	235.8	75	111.0
50	230.9	76	105.9
51	226.7	77	100.8
52	222.6	78	95.8
53	218.2	79	90.9
54	213.5	80	86.2
55	208.5	81	81.6
56	204.0	82	77.1
57	199.4	83	72.8
58	194.7	84	68.7
59	190.2	85	64.7
60	186.1	86	61.0
61	181.2	87	57.4
62	176.0	88	54.1
63	171.3	89	50.9
64	166.4	90	47.9
65	161.5		

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**18-2.9 Military Service Credit and Deposits (See 18-2.2 and 18-3.9 (1) & (2).)**

(1) At time of retirement, credit is given for active

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| duty military service performed prior to 1/1/57. Active duty military  
| service performed on or after 1/1/57 is also creditable; however, a  
| deposit may be due for some employees.

| (2) Creditable service includes active duty or active  
| duty for training in the Army, Navy, Air Force, Marine Corps, Coast  
| Guard, service in the Commissioned Corps of the U.S. Public Health  
| Service after 6/30/60, and service as a commissioned officer of the  
| National Oceanic and Atmospheric Administration after 6/30/61.  
| Service performed in the National Guard is creditable only if  
| performed under Title 10 of the United States Code or by "call of the  
| President." Also, active duty for training (often referred to as two-  
| week summer camps) while in the military reserves is creditable if the  
| service was not performed while on leave from a Federal civilian  
| position. Weekend drills while in the reserves are not creditable.

| (3) Employees who first entered on duty before 10/1/82  
| will receive credit for active duty military service at time of  
| retirement. The retired employee will lose credit for post-1956  
| service at age 62 if the retiree is eligible for a Social Security  
| benefit, unless a deposit is paid.

| (4) Employees who first entered on duty on or after  
| 10/1/82 will receive credit for pre-1957 military service. Post-1956  
| military service is creditable only if a deposit is paid, regardless  
| of future Social Security eligibility.

| (5) Under CSRS, the post-1956 service credit deposit is  
| 7 percent of the employee's total military base pay earned while  
| on active duty. Compound interest began to accrue on 10/1/85. The  
| variable rates of interest are given in Section 18-2.6. Military  
| deposits must be made to the Bureau prior to retirement.

| (6) Employees who are receiving military retired pay have  
| the option of waiving their military retired pay and receiving credit  
| for their military service in their CSRS benefit. Generally, the  
| military service cannot be used unless the military retirement pay is  
| waived. However, employees who are entitled to military retired pay  
| which was earned because of reserve duty do not need to waive their  
| reserve retirement benefit to receive credit for any creditable  
| active-duty military service they may have performed. Employees whose  
| military retired pay was based on a service-connected disability  
| incurred in combat or in line of duty during a period of war likewise  
| may receive credit for their military service without waiving military  
| retired pay.

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## **18-2.10 Disability Retirement (See 18-3.10 (1) & (5).)**

(1) After five years of civilian service, employees covered by CSRS are eligible for disability benefits. Application is

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made to OPM. After reviewing the application and supporting documentation, OPM makes the determination as to whether all criteria for a disability retirement benefit are met.

(2) To qualify for disability retirement, employees must have five or more years of civilian service and be physically or mentally unable to perform the duties of their assigned positions or another position that the Bureau could accommodate them in which would have similar duties, pay the same salary, and be within the same commuting distance. Accommodation within the same commuting area is not required if the employee is in a position which is subject to transfer.

(3) The benefit paid will be the greater of (a) the amount obtained under the general formula given in Section 18-2.4 or (b) the guaranteed minimum.

(4) The guaranteed minimum is the lesser of (a) 40 percent of the "high-three" average salary or (b) the amount obtained under the general formula after increasing the actual years of service by the time remaining between the date of separation from service and the date the employee becomes age 60.

(5) If an Agent is approved for disability retirement and has already attained 20 years of federal law enforcement service, but has not yet reached age 50, he/she will have their disability retirement computed using the CSRS law enforcement formula given in 18-2.4. An Agent who has not yet served as a federal law enforcement officer for 20 years will have their disability retirement benefit computed using the guaranteed minimum method given in number (4) above.

(6) An annuitant who is receiving disability benefits is allowed to earn income from wages and/or self-employment. However, if earnings in any calendar year are at least 80 percent of the current rate of basic pay for the position from which the employee retired, the employee is considered to be restored to earning capacity and the benefit is stopped.

(7) Employees who are receiving retirement benefits because of disability may be required at any time by OPM to provide a current physician's report. Benefits will be discontinued if the employee is found to be recovered.

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### **18-2.11 Survivor Benefits - Death in Service (See 18-2.12.)**

(1) If an employee dies while covered by CSRS after 18 months of civilian service, his or her spouse will receive an annuity, provided they were married for at least nine months. This requirement does not apply if the death was accidental or if there is a child of

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the marriage.

(2) Generally, the spouse will receive 55 percent of the annuity earned by the creditable service and average salary. However, if it produces a higher annuity, the spouse will receive a guaranteed minimum which is 55 percent of the lesser of (a) 40 percent of the employee's "high-three" average salary, or (b) the annuity obtained by increasing the service by the time between the employee's death and the date the employee would have reached age 60. The spouse loses the survivor benefit if he/she remarries before the age of 55.

(3) |The survivor annuity for the spouse of an Agent who at the time of death had served at least 20 years as a federal law enforcement officer, but had not yet reached age 50, will be computed as if the Agent had met the eligibility requirements for law enforcement retirement. The formula for law enforcement retirement given in MAOP, Part I, 18-2.4 will be used in computing the annuity, resulting in a higher survivor annuity.|

| (4) |Unmarried children under age 18, or 22 if they are full-time students, will also receive an annuity if the employee dies in service. A child incapable of self-support because of a disability incurred before the age of 18 will receive an annuity indefinitely unless the child becomes capable of self-support.

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## **||18-2.12 Survivor Benefits - After Retirement (See 18-3.12(4).)**

(1) If the employee is married at time of retirement, the annuity will be reduced to provide the maximum survivor annuity. Under CSRS, the maximum survivor annuity is 55 percent of the full annuity. The reduction will be 2.5 percent of the first \$3,600 of the full annuity, plus 10 percent of the remaining annuity over \$3,600. For example, if the full annuity is \$33,600, the first \$3,600 is reduced by 2.5 percent, or \$90. The remaining \$30,000 is reduced by 10 percent, or \$3,000. The total reduction is \$3,090, and at the time of the annuitant's death, the surviving spouse will receive 55 percent of \$33,600, or \$18,480 per year. The reduction in the annuity ceases if the spouse predeceases the employee.

(2) A retiring employee may elect less than a full survivor annuity or no survivor annuity for his/her spouse. OPM will honor this election only if the retiring employee provides his/her spouse's notarized signed consent to the lower benefit.

(3) If the employee was divorced after 5/6/85, the former spouse may receive, by court order, all or part of the survivor annuity.

(4) An employee who is unmarried at the time of retirement and later marries may elect a survivor annuity for his/her

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| spouse. However, the retiree's annuity must be retroactively reduced,  
| as if the retiree had been married continuously since the date of  
| retirement.

| (5) A spouse or former spouse loses the survivor benefit  
| if he/she remarries before the age of 55.

| (6) An employee who is in good health at the time of  
| retirement may elect to provide a survivor annuity for a person who  
| has an "insurable interest" in the employee, such as a relative or a  
| current spouse who would not otherwise get a survivor annuity because  
| of a court order awarding an annuity to a former spouse. To provide  
| this benefit, the annuity would be reduced 10 to 40 percent,  
| depending on the difference in the employee's age and the age of the  
| person named. This reduction would be in addition to the reduction  
| for the regular survivor annuity.

| (7) Benefits are also payable to unmarried dependent  
| children as stated under Section 18-2.11.|

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### **||18-2.13 Leaving Bureau Service Prior to Eligibility**

| Employees who resign prior to being eligible for an  
| immediate CSRS annuity have two options. They may take a refund of  
| their retirement contributions or leave their contributions in the  
| fund and apply for a deferred annuity at the age of 62.|

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### **18-2.14 Alternative Form of Annuity (AFA) (See 18-3.14.)**

| An employee, who|at time of retirement suffers from a  
| life-threatening illness and is eligible for regular retirement,|may  
| elect to receive a lump sum payment equal to the total contributions  
| they have made to CSRS in addition to a monthly annuity. Under the  
| AFA law, the monthly annuity is actuarially reduced by an amount which  
| depends on the retiree's age at retirement and the amount of his/her  
| contributions. Electing the AFA does not affect the potential  
| survivor annuity; however, the election requires the spouse's consent.

| |The AFA is not an option for an employee who is applying for  
| disability retirement or who has a court-awarded retirement benefit  
| payable to a former spouse.|

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**||18-2.15 Cost of Living Adjustment (COLA) for Annuitants (See 18-3.15 and 18-5.2(3).)**

| An employee who retires under CSRS receives a COLA  
| effective December 1st of each year after retirement. The COLA is  
| equal to the percentage increase in the Consumer Price Index for the  
| preceding Fiscal Year. The first COLA after retirement will be  
| prorated depending on the number of months since the retirement. For  
| example, if the employee retires on 4/30/92, he/she will receive only  
| 7/12 of the first year's COLA because the employee was retired for  
| only seven months prior to the effective date of the COLA. The  
| individual would receive the full COLA each year thereafter. |

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**||18-2.16 CSRS Offset**

| An employee who resigns with at least five years of  
| Federal civilian service under CSRS and reinstates after a break in  
| service of more than one year will be placed in a retirement category  
| referred to as CSRS Offset. CSRS Offset employees are covered by CSRS  
| and Social Security at the same time. The eligibility requirements  
| and the benefits are the same as if they were covered by CSRS alone.  
| When a CSRS Offset employee becomes eligible for Social Security  
| benefits (usually at age 62), the CSRS annuity will be reduced by the  
| amount of the Social Security benefit attributable to his/her Federal  
| civilian service covered simultaneously by both CSRS and Social  
| Security. |

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**18-2.17 Beneficiary Designation (See 18-3.17 and Part I, 20-17 through 20-17.5.)**

(1) An employee may designate a beneficiary to receive a lump sum refund of the employee's CSRS contributions in case of the employee's death, provided no survivor is eligible for an annuity. A designation should only be made if the employee does not wish the payment to be made in the legal order of precedence, which is:

- (a) To the widow or widower.
- (b) If the widow(er) is deceased, to the children, with the share of a deceased child distributed among the decedents of that child.
- (c) If none of the above, to the parents in equal shares.

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(d) If none of the above, to the executor of the estate.

(e) If none of the above, to the next of kin under the laws of the State in which the employee lived at the time of death.

(2) A designation may be made or updated at any time by using Standard Form 2808. Upon completion, the form should be sent directly to the Office of Personnel Management for validation. The forwarding address is on the form. The Bureau cannot validate this form. It is important to keep the designation of beneficiary current. Changes in family status without a corresponding change in the designation of beneficiary may result in a settlement other than that intended by the employee.

(3) A designation of beneficiary is for a lump-sum death benefit only and does not affect the right of any person who is entitled to a survivor benefit.

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### 18-2.18 Medicare Benefits (See 18-3.18.)

(1) All CSRS employees began paying the Medicare portion of the FICA tax on January 1, 1983. At the age of 65, whether retired or still in service, employees are eligible for Medicare Part A - Hospital Insurance without paying a monthly premium.

(2) Medicare Part B - Supplementary Medical Insurance is also available for a monthly premium.

(3) After retirement, Medicare becomes the primary insurance payer and the annuitant's Federal Employees Health Benefits (FEHB) plan becomes the secondary payer.

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### 18-3 FEDERAL EMPLOYEES RETIREMENT SYSTEM (FERS)

Unlike CSRS, which derives its entire benefit from a single pension, FERS is a three-tiered retirement plan. All FERS employees are mandatorily covered by Social Security (see Section 18-5). In addition, all FERS employees belong to the Thrift Savings Plan (TSP), regardless of whether or not they personally contribute to the TSP (see Section 18-4). The third tier of FERS is the FERS Basic Benefit, an annuity similar to the CSRS annuity and likewise administered by the United States Office of Personnel Management

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(OPM). FERS covers all employees first hired since 1984, as well as those former CSRS-covered employees who transferred to FERS during a FERS open season or following a break in service from which they returned after 1986.

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**| 18-3.1 Eligibility for FERS Basic Benefit (See 18-3.1.2, 18-3.16 and 18-3.19 (2) & (3)).|**

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**| 18-3.1.1 Immediate Retirement - Unreduced**

Employees are vested after five years of civilian Federal service. Unlike CSRS, there is no "one-out-of-two" minimum coverage requirement immediately prior to separation. Age and years-of-service requirements are shown below:

AGE	YEARS OF SERVICE	SPECIAL CONDITIONS
62	5	None
60	20	None
Minimum Retirement Age (MRA)	30	None for unreduced annuity. See Section 18-3.1.2 below for MRA table.
50 Any	20 25	Must be involuntarily separated (i.e., major reorganization or reduction in force (RIF)). Unlike CSRS, no reduction for retiring under age 55.
50 Any	20 25	Law Enforcement (the years on the chart represent the minimum number of years of FEDERAL CIVILIAN LAW ENFORCEMENT OFFICER SERVICE needed to retire at the listed age). (See 18-3.19.)

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**| 18-3.1.2 Immediate Retirement - Reduced (See 18-3.1.1 and 18-3.16.)**

| An employee can retire under FERS after just ten years of  
| service if he/she retires at the FERS Minimum Retirement Age (MRA).  
| However, if the employee does not meet the age-and-service  
| requirements under Section 18-3.1.1 above for an unreduced immediate  
| retirement, his/her FERS Basic Benefit annuity will be reduced by 5  
| percent for each year he/she is under age 62 at the time the annuity  
| begins. The annuity reduction, once made, will not decrease as the  
| retiree gets closer to age 62. However, an employee who is at or over  
| his/her MRA and has at least ten years of service on the date he/she  
| leaves the Government may elect not to file for retirement until a  
| later date, thereby diminishing the amount of the reduction (or  
| eliminating it altogether if he/she files at age 62). Such a  
| retirement would still be considered immediate for continuing the  
| employee's Federal health and life insurance into retirement. The  
| table for finding an employee's FERS MRA is shown below:

YEAR OF BIRTH	MRA
Before 1948	55 years
1948	55 years, 2 months
1949	55 years, 4 months
1950	55 years, 6 months
1951	55 years, 8 months
1952	55 years, 10 months
1953 through 1964	56 years
1965	56 years, 2 months
1966	56 years, 4 months
1967	56 years, 6 months
1968	56 years, 8 months
1969	56 years, 10 months
After 1969	57 years

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**18-3.1.3 Mandatory Retirement**

| Section 8425(b), Title 5, United States Code, requires law  
| enforcement officers covered by FERS to retire no later than the end  
| of the month in which they become 57 years old, provided they have at  
| least 20 years of federal civilian law enforcement officer service.  
| If they do not have 20 such years at the age of 57, they must retire  
| no later than the last day of the month in which they acquire 20 years  
| of federal civilian law enforcement officer service. |Exceptions to  
| mandatory retirement may be made by the agency head as described in  
| MAOP, Part I, 18-3.1.4.|

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#### **18-3.1.4 Exceptions to Mandatory Retirement (See MAOP, Part 1, 18-3.1.3.)**

|           |The procedures for requesting and granting exemptions from  
| mandatory retirement for Special Agents covered by FERS are the same  
| as for those covered by CSRS. (See MAOP, Part 1, 18-2.1.3.)|

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#### **||18-3.2   Credit for Service**

|           Credit is given for years, months, and days of civilian  
| service and military service on the date of retirement. (See  
| important details concerning military deposits in Section 18-3.9.).  
| Sick leave is not given retirement credit under FERS unless the  
| retiring employee had at least five years of CSRS-creditable civilian  
| service prior to joining FERS. In such a case, the lesser of (a) the  
| sick leave balance as of the separation date, or (b) the sick leave  
| balance as of the date the employee transferred from CSRS to FERS is  
| converted to years, months, and days of credit and added to the CSRS  
| component of the FERS Basic Benefit in the manner outlined in Section  
| 18-2.2. (See Section 18-3.4 for definition of CSRS component.) As  
| under CSRS, only years and months of combined service are used in  
| computing the FERS Basic Benefit after the total length of service has  
| been determined.|

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#### **| 18-3.3   |"High-Three" Average Salary**

|           The total service (years and months) and the "high-three"  
| average salary are the two factors used in computing the FERS Basic  
| Benefit. Any consecutive three years of service may be used for the  
| "high-three" average, and the "high-three" is determined in the same  
| manner as for CSRS annuities (see Section 18-2.3).|

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#### **| 18-3.4 |Computing the Annuity (See 18-3.2, 18-3.7(2), 18-3.8(2), 18-3.10(3), 18-5.5(4) and 18-5.6(3).)**

|           (1) The general formula used to determine the amount of  
| the annual FERS Basic Benefit is:

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1% X "high-three" average X length of service

Special law enforcement retirement rules provide the following FERS Basic Benefit computation for Special Agents:

1.7% X "high-three" average X each of first 20 years

plus

1% X "high-three" average X each year over 20

Employees who retire at age 62 or older and have at least 20 years of creditable service at the time of retirement have their FERS Basic Benefits computed at:

1.1% X "high-three" average X length of service

(2) Employees previously covered under CSRS who had either (a) five years of CSRS-creditable civilian service as of the day of their last separation from the Government and return from the break in service after 1/1/87, with at least some of that service subject to CSRS payroll deductions, or (b) five years of CSRS-creditable civilian service as of 12/31/86, regardless of whether any of it was subject to CSRS payroll deductions if continuously employed since then, will have a portion of their FERS Basic Benefits determined under the CSRS computation rules outlined in Section 18-2.4. This is known as a CSRS component to their FERS Basic Benefits, and applies to (a) all civilian service subject only to the CSRS (not to CSRS Offset or the 1984-86 "interim plan"), (b) all deposit service performed prior to becoming subject to FERS, and (c) all military service performed prior to becoming subject to FERS. The annuity for remaining service to the employees' credit will be computed under the FERS formula described above.

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### **18-3.5 Contribution Rates**

(1) Because all FERS employees pay the full FICA tax, the FERS law links employee contributions to the percentage of salary paid for the Social Security portion of the tax. FERS-covered employees pay the same as employees covered by CSRS; however, the FERS contribution is offset by the 6.2 percent Social Security tax. Therefore, the FERS contribution is 0.80 percent of base pay and locality pay. Agents pay 1.3 percent of base pay, locality pay and availability pay to FERS.

(2) The Social Security contribution and benefit base is \$84,000 in 2002. FERS-covered employees earning more than this base are still subject to the FERS withholding rates described above (unlike CSRS Offset, which would revert to the full withholding rates

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for the pay exceeding the base).

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### **||18-3.6 Voluntary Contributions**

| Since all FERS-covered employees automatically belong to  
| the Thrift Savings Plan, the FERS law does not permit any FERS-covered  
| employee to make voluntary contributions to the Civil Service  
| Retirement and Disability Fund. This is true even for those former  
| CSRS employees who had opened voluntary contribution accounts under  
| CSRS before transferring to FERS. However, such employees may  
| continue to hold their voluntary contribution accounts, and the  
| voluntary contributions made under CSRS will continue to earn interest  
| while the employees are covered by FERS. No new contributions may be  
| made to those accounts after transferring to FERS.|

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### **||18-3.7 Deposits**

| (1) A significant difference between CSRS and FERS is  
| that deposits for civilian service performed after 12/31/88 which was  
| not previously subject to CSRS or FERS withholdings may not be made  
| under FERS. Deposits may be made for such civilian service if it was  
| performed before 1/1/89.

| (2) The amount of a deposit made under FERS depends on  
| when the service was performed and how it will be credited. For  
| former CSRS-covered employees whose deposit service would be credited  
| as part of the CSRS component of their FERS Basic Benefits (see  
| explanation in Section 18-3.4), the amount of the deposit for such  
| service would be 7 percent of basic pay for the period to be credited,  
| plus appropriate interest (see Sections 18-2.6 and 18-2.7). Since  
| other periods of nondeduction service performed before 1/1/89 would  
| be given credit under FERS rules (and applied to the FERS portion of  
| the Basic Benefit), those deposits would be at 1.3 percent of basic  
| pay for service performed through 1987 and 0.94 percent of basic pay  
| for service performed in 1988, plus appropriate interest as described  
| above.

| (3) Unpaid deposits under FERS can be paid at any time  
| prior to retirement by filing Standard Form 3108.|

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**||18-3.8 Redeposits (See 18-3.16.)**

| (1) Another major difference between CSRS and FERS involves the right to redeposit refunded contributions after an employee returns to the Federal service. If a FERS-covered employee leaves the Government and receives a refund of FERS contributions for a period of service subject to FERS, he/she may not redeposit the refund upon returning to the Federal service.

| (2) Two types of refunds may be redeposited under FERS, and both involve previous CSRS-covered service. If a former CSRS-covered employee transfers to FERS with enough previous service to make a CSRS component in his/her FERS Basic Benefit (see explanation in Section 18-3.4) and had received a refund of his/her CSRS contributions for that service, the refund may be redeposited while in a FERS-covered position. In such a case, the amount of the deposit and the interest accrual will be under the CSRS rules in Section 18-2.8 (since the recredited service will lie within the CSRS component). If a former CSRS-covered employee resigns from the Government with fewer than five years of CSRS-covered service (thereby not qualifying for a CSRS component upon joining FERS), receives a refund of that service, and then returns to the Federal service under mandatory FERS coverage, that refund may also be redeposited while in a FERS-covered position. However, if that employee should leave the Federal service again and receive a FERS refund, that redeposited period of service would be considered FERS covered service and may not be redeposited again.

| (3) As is the case for deposits under FERS, redeposits can be paid at any time prior to retirement by filing Standard Form 3108.

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**||18-3.9 Military Service Credit and Deposits (See 18-3.2.)**

| (1) The same types of military service creditable under CSRS (see Section 18-2.9) are creditable under FERS. The CSRS rules governing treatment of military retired pay (see Section 18-2.9) also apply to FERS.

| (2) A major difference between the systems is the treatment of military service performed after 1956. Under CSRS, provisions are made to make deposit for such service in order to avoid annuity reductions at age 62 based on simultaneous Social Security eligibility. However, there are some circumstances where CSRS employees hired before 10/1/82 can elect not to make the deposit. Under FERS, all employees are mandatorily subject to Social Security, and the FERS law assumes all employees will qualify for Social Security benefits at age 62. Therefore, the FERS law requires a deposit to be made for creditable military service performed after

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| 1956 (even if the employee first entered on duty prior to 10/1/82), or  
| no credit will be given for such service for either eligibility or  
| computation purposes under FERS. The amount of the deposit also  
| differs under FERS; employees with no CSRS component in their FERS  
| Basic Benefits would pay 3 percent of their military base pay  
| earned while on active duty. Compound interest would begin to accrue  
| on the second anniversary of their entry into FERS coverage. On the  
| other hand, employees who performed military service prior to joining  
| FERS and who would have a CSRS component in their FERS Basic Benefits  
| would have the military service applied to the CSRS component. This  
| would mean that the post-1956 military service credit deposit would be  
| made under the CSRS rules in Section 18-2.9. In all cases, military  
| deposits must be made to the Bureau prior to retirement.|

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**| 18-3.10 Disability Retirement (See 18-5.3(3).)**

| (1) Under FERS, an employee is eligible for disability  
| benefits after 18 months of service, regardless of whether the service  
| was performed under FERS alone or some of it was performed under CSRS.  
| Application is made to OPM. After reviewing the application and  
| supporting documentation, OPM makes the determination as to whether  
| all criteria for a disability retirement benefit are met. Other than  
| the minimum length of service, the eligibility rules for disability  
| retirement under FERS are the same as for CSRS (see Section 18-2.10).

| (2) Since FERS employees are covered by Social Security,  
| and since the Social Security program also offers disability benefits,  
| the disability benefit computation under FERS takes into account an  
| employee's eligibility for Social Security disability benefits. At  
| the time an employee applies for FERS disability retirement, he/she  
| must also contact the Social Security Administration (SSA) to  
| determine whether he/she also qualifies for Social Security disability  
| benefits. This contact must be made even if the employee has not met  
| the minimum number-of-quarters-of-coverage requirement for Social  
| Security benefits, disability or otherwise. SSA's answer will be  
| included in the employee's FERS disability paperwork OPM will use to  
| compute benefits. The definition of "disability" is stricter for  
| Social Security purposes than it is for CSRS or FERS (i.e., Social  
| Security requires an employee to be unable to perform any job, not  
| just his/her current one), so in most cases, employees will not  
| qualify simultaneously for both benefits.

| (3) If the retiring employee is not eligible for Social  
| Security disability benefits, his/her FERS Basic Benefit would be:

| First year: 60% of "high-three" average salary

| Second year and all future years until employee reaches age 62: 40%  
| of "high-three" average salary

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| All years after reaching age 62: FERS Basic Benefit computed under  
| the nondisability rules in Section 18-3.4; however, the length of time  
| between the employee's separation and his/her 62nd birthday is added  
| to his/her length of creditable service in computing the non-  
| disability FERS Basic Benefit.

| (4) If the retiring employee is eligible for Social  
| Security disability benefits as well as a FERS disability retirement,  
| the FERS Basic Benefit in the first year of retirement is reduced by  
| 100 percent of his/her Social Security disability benefit. The FERS  
| Basic Benefit for the second year and all years before reaching age 62  
| is reduced by 60 percent of his/her Social Security disability  
| benefit. After the employee reaches age 62, he/she receives a non-  
| disability FERS Basic Benefit computed in the manner described above.

| (5) Under FERS, the 80 percent limit on earnings from  
| wages and/or self-employment, as well as OPM's right to request  
| medical evidence of continued disability, are the same as for CSRS  
| disability retirees (see Section 18-2.10).|

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### **18-3.11 Survivor Benefits - Death in Service (See 18-3.12(4).)**

(1) If an employee dies while covered by FERS (with or without eligibility for a CSRS component) after 18 months of civilian service, his/her spouse will receive a special lump-sum payment called the Basic Employee Death Benefit (BEDB), provided they were married for at least nine months. The BEDB consists of an indexed amount | (\$24,000 in 2002), plus the greater of (a) 50 percent of the deceased employee's "high-three" average salary, or (b) 50 percent of the deceased employee's final annual salary rate. Even though the BEDB is a one-time payment, the survivor would still qualify to continue Federal Employees Health Benefits (FEHB) coverage if the employee had a self-and-family FEHB plan at the time of death. FEHB premium payments would then be paid directly to OPM.

(2) If an employee dies while covered by FERS after ten or more years of creditable service, his/her spouse will receive both the BEDB and an annuity, provided they were married for at least nine months. As under CSRS, the marriage duration requirement does not apply if the death was accidental or if there is a child of the marriage. FEHB coverage can also continue for the survivor if the employee had a self-and-family FEHB plan at the time of death.

(3) The spousal survivor annuity is 50 percent of what the FERS Basic Benefit would have been if the employee had been eligible to retire on the date of death. This is true even if the employee had a CSRS component to the FERS Basic Benefit or if the employee was a Special Agent or other law enforcement officer.

The survivor annuity for the spouse of an Agent who at the time of

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death had served at least 20 years as a federal law enforcement officer but had not yet reached age 50 will be computed as if the Agent had met the eligibility requirements for law enforcement retirement. The formula for law enforcement retirement given in MAOP, Part 1, 18-3.4 will be used in computing the annuity, resulting in a higher survivor annuity.

(4) Regardless of whether the surviving spouse receives the BEDB alone, the BEDB with a survivor annuity, or no benefit, unmarried dependent children under age 18 (or 22 if they are full-time students) would receive a fixed-rate survivor annuity if the employee dies in service. A child over age 22 incapable of self-support because of a disability incurred before the age of 18 will receive an annuity indefinitely unless the child becomes capable of self-support.

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### **||18-3.12 Survivor Benefits - After Retirement**

(1) As under CSRS, a retiring employee may elect a survivor benefit under FERS, with a corresponding reduction in his/her monthly annuity. The maximum survivor annuity under FERS is 50 percent of the employee's full FERS Basic Benefit (with or without a CSRS component). If the employee elects to provide this maximum, his/her FERS Basic Benefit will be reduced by 10 percent. For example, if the full FERS Basic Benefit is \$33,600, the reduction for a maximum survivor annuity is \$3,360, and at the time of the annuitant's death, the surviving spouse will receive 50 percent of \$33,600, or \$16,800 per year. The reduction in the annuity ceases if the spouse predeceases the retiree.

(2) A retiring employee may elect to provide half of the maximum survivor annuity (or 25 percent of the full FERS Basic Benefit). Unlike CSRS, no other percentage of the FERS Basic Benefit can be used as the base for a survivor benefit. The retiring employee can also elect to provide no survivor annuity for his/her spouse. As is true under CSRS, OPM will honor the half-survivorship or no-survivorship elections only if the retiring employee provides his/her spouse's notarized signed consent to the lower benefit.

(3) If a retiree dies leaving a spouse younger than age 60 (when the spouse would qualify to receive Social Security survivor benefits), the spouse will receive a Special Retirement Supplement in addition to the FERS survivor annuity. The Supplement would be the lesser of (a) the benefit the spouse would receive if the employee had been under CSRS, minus the regular FERS benefit, or (b) the estimated Social Security survivor benefit the spouse would receive at age 60. The Supplement would be paid until the spouse qualifies for the Social Security survivor benefit.

(4) The provisions regarding former spouse benefits, post-retirement survivor annuity elections, the spouse's loss of the

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| survivor benefit due to remarriage under age 55, and "insurable  
| interest" elections described in Section 18-2.12 for CSRS survivor  
| benefits also apply to FERS. Survivor benefits for unmarried  
| dependent children of retirees are the same as described in Section  
| 18-3.11. |

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### **||18-3.13 Survivor Benefits - Former Employee's Death**

| (1) Unlike CSRS, survivor annuities are available to  
| surviving spouses of former employees who resigned from the  
| Government, did not receive a refund of their retirement  
| contributions, and died before qualifying for a deferred annuity. The  
| former employee must have had at least ten years of creditable service  
| by the time of his/her death, at least five of which were covered by  
| CSRS/FERS deductions or deposits. Also, the spouse had to be married  
| to the employee on the day he/she separated from the Federal service.  
| As with survivor annuities for survivors of retirees, former spouses  
| may receive this survivor annuity based on the death of a qualifying  
| former employee if so directed by a court order.

| (2) The survivor can elect to receive this annuity either  
| the day after the former employee would have been eligible for an  
| unreduced FERS Basic Benefit, or the day after death. If the former  
| date is chosen, the survivor annuity will be 50 percent of the  
| deceased former employee's FERS Basic Benefit. If the latter date is  
| chosen, that survivor annuity is actuarially reduced.

| (3) The survivor can also decline this survivor annuity  
| and elect to receive the lump-sum credit (i.e., the refund of the  
| unexpended balance of the former employee's retirement  
| contributions). |

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### **||18-3.14 Alternative Form of Annuity (AFA)**

| The rules governing the AFA under CSRS described in  
| Section 18-2.14 also apply to FERS. |

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### **||18-3.15 Cost of Living Adjustment (COLA) for Annuitants**

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The rules governing COLA's for CSRS annuitants described in Section 18-2.15 apply to FERS, with two significant exceptions. The COLA under FERS is one percentage point below the percentage increase in the Consumer Price Index during the preceding Fiscal Year if that percentage increase is 3 percent or greater; otherwise, the FERS and CSRS COLA's are identical. The other difference is that COLA's under FERS are not paid to retirees under age 62, even if they retired earlier than age 62, unless they are (a) disability retirees, (b) retired Special Agents or other law enforcement officers, or (c) survivor annuitants. In those three cases, COLA's are paid in accordance with the same schedule as in Section 18-2.15. In addition, FERS retirees with a CSRS component would have that component increased by the full CSRS COLA each year (once they have completed the first year of their retirements). The FERS COLA rules and payment schedule would apply to the FERS component of their Basic Benefits.

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### **||18-3.16 Leaving Bureau Service Prior to Eligibility**

Employees who resign prior to qualifying for an immediate FERS Basic Benefit have several options. They may take a refund of their retirement contributions (but they should remember that refunds of FERS contributions may not be redeposited if they later return to the Federal service--see Section 18-3.8). If they do not take a refund, they may apply for a deferred FERS Basic Benefit (a) at their MRA if they have at least ten years of creditable service (but they should note the reductions for retiring under age 62 in Section 18-3.1.2), or (b) at age 62 if they have at least five years of creditable service and want to avoid reductions for retiring under that age (see Section 18-3.1.1).

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### **||18-3.17 Beneficiary Designation (See MAOP, Part I, 20-17 thru 20-17.5.)**

The rules governing designations of beneficiaries (including the order of precedence) described in Section 18-2.17 for CSRS employees also apply to FERS. The FERS designation of beneficiary form is Standard Form 3102, which should be filed with the Bureau (not with OPM, as is the case under CSRS).

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### ||18-3.18 Medicare Benefits

| The rules concerning Medicare benefits for Federal  
| employees outlined in Section 18-2.18 also apply to FERS-covered  
| employees. Since all FERS-covered employees pay the full FICA tax  
| (including the Medicare portion), all FERS-covered Federal civilian  
| service is fully creditable for Medicare purposes.|

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### ||18-3.19 Special Retirement Supplement

| (1) FERS retirees depend on three sources of post-  
| retirement income; the FERS Basic Benefit, the Thrift Savings Plan,  
| and Social Security. However, Social Security does not begin paying  
| nondisability benefits until a retiree reaches age 62. Because many  
| FERS-covered employees may retire before reaching that age, the FERS  
| law authorizes a Special Retirement Supplement to be added to the  
| Basic Benefits of certain FERS-covered employees who retire before  
| reaching age 62. This Supplement is meant to "fill in" for some of  
| the retirees' future Social Security-derived income, and it is paid to  
| retirees until they qualify for Social Security at age 62.

| (2) Special Agents retiring under the law enforcement  
| officer rules in Section 18-3.1.1 are eligible for the Special  
| Retirement Supplement. So are other employees who retire on an  
| immediate FERS Basic Benefit (a) at their MRA with  
| at least 30 years of service, or (b) at age 60 after 20 years of  
| service.

| (3) The Special Retirement Supplement is computed by  
| multiplying a retiring employee's estimated full-career Social  
| Security benefit (a full career for Social Security purposes is 40  
| years) by the number of full calendar years the employee worked under  
| FERS, then dividing that result by 40. Since the Supplement is  
| designed to replace a portion of Social Security benefits until the  
| employee qualifies for Social Security, the Supplement is subject to  
| the Social Security earnings test. If the employee, after retirement,  
| earns more than the Social Security earnings limit, the Supplement is  
| reduced by half of the amount by which his/her earnings exceed the  
| limit. Special Agents retiring under the law enforcement officer  
| rules in Section 18-3.1.1 are not subject to the earnings test prior  
| to age 55.|

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### | 18-4 |THRIFT SAVINGS PLAN (TSP)| (See 18-3.)

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#### 18-4.1 Definition of TSP

The TSP is a tax-deferred retirement savings plan, similar to a 401-K plan or an Individual Retirement Account (IRA). Contributions must be made on a regular basis and are deducted from the employee's pay.

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#### 18-4.2 Eligibility to Participate

| All employees in a covered position under CSRS or FERS may participate in the TSP. |

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#### 18-4.3 TSP Open Season

(1) There are two TSP open seasons each year. The first open season begins April 15 and ends June 30. The second open season begins October 15 and ends December 31.

(2) During the TSP open seasons, employees may start,

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stop, increase, or decrease their TSP contribution by submitting a completed TSP-1 election form.

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**18-4.4 Maximum TSP Contribution Rates**

TSP contributions are withheld from an employee's basic pay, locality pay and availability pay. Employees covered by the FERS may contribute up to 12 percent of their pay, and CSRS employees may contribute seven percent of their pay in 2002. These percentages will increase by one percent each calendar year until 2006 when there will no longer be a percentage limit. The Internal Revenue Service (IRS) imposes a maximum contribution amount allowable each year. This limit is set at \$11,000 in 2002 and will increase \$1,000 each year until 2006. The limit will be set at \$15,000 in 2006 and future years.

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**18-4.5 Government TSP Contributions**

(1) Employees covered by CSRS do not receive any TSP contributions from the Bureau.

(2) The Bureau automatically contributes 1 percent into the TSP for employees covered by FERS. The Bureau will match, dollar for dollar, the first 3 percent contributed by employees covered by

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FERS, plus the automatic 1 percent. The Bureau will also contribute 50 cents on the dollar, for the 4th and 5th percent contributed by the employee. Therefore, employees who contribute 5 percent of their pay to the TSP will have 4 percent of matching contributions plus the automatic 1 percent contributed by the Bureau. Although FERS participants may contribute to TSP as soon as employment begins, the Bureau's contributions do not begin until the second TSP open season after the employment began.

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#### **| 18-4.6 Investment Options**

Employees may diversify their investment by allocating their TSP contributions, including the government's contributions, into five different funds. Any combination of investments is permitted.

The five funds are described as follows:

The G Fund is invested in Government securities. This is a risk-free investment and returns a competitive variable rate of interest.

The F Fund is a corporate bond market fund with investments in insurance companies and mortgages. Some risk is involved in F Fund investments.

The C Fund is a stock index fund with investments in common stocks. This fund allows a greater return; however, it also carries a greater risk.

The S Fund is a stock fund invested in small U.S. companies.

The I Fund is a stock fund invested in international companies.

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#### **| 18-4.7 Interfund Transfers and Allocation of Future Contributions|**

(1) TSP participants may reallocate future contributions or contributions already in their account by using the ThriftLine, the web site, OR by submitting a completed Form TSP-50 to the Thrift Board at the National Finance Center in New Orleans, Louisiana. The address is on the Form TSP-50. This form CANNOT be processed by the Bureau.

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## **| 18-4.8 Vesting in the TSP**

| All employees are immediately vested in their own  
| contributions and the Government's matching contributions. They must  
| have at least three years of civilian service to be vested in the  
| automatic 1-percent Government contribution. Employees who leave  
| Government service with less than three years of civilian service  
| forfeit the automatic 1 percent plus the earnings on that 1 percent. |

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## **18-4.9 TSP Loan Program**

(1) Employees who participate in the TSP may borrow from their own contributions and the earnings on their contributions. They cannot borrow any of the government's contributions. Employees covered by FERS must have their spouse's consent to take a TSP loan. CSRS employees need only notify their spouses that they are taking out a TSP loan.

(2) Although the employee is borrowing his/her own TSP contributions, interest is charged on the loan. The interest rate on the loan is the rate that the G Fund is earning at the time of application. This rate is fixed over the life of the loan. Principal and interest payments go back into the employee's TSP account.

(3) The maximum amount of a loan cannot exceed \$50,000, and the minimum amount is \$1,000. The amortization on a loan for purchase of a primary residence can be for 15 years. For all other loans, amortization can be for four years.

(4) Loan payments must be made by payroll deduction and the outstanding loan balance can be prepaid at any time without penalty. If an employee resigns or retires with an outstanding TSP loan at the time of separation, the FRTIB will give him/her 90 days to pay off the loan balance. If the total balance is not paid in 90 days, the FRTIB will report the unpaid balance to the IRS as taxable income. The employee will have to pay income taxes on the amount of the unpaid loan balance and, depending on his/her age, the employee may be subject to a 10-percent early withdrawal penalty.

(5) The Form TSP-20 is used to apply for all TSP loans. |

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## **| 18-4.10 TSP Payout Options |(Text Moved to 18-4.10.1)|**

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### **| |18-4.10.1 TSP Payout Options After Separation from Service**

| (1) After an employee has been separated from service for  
| more than 30 days, he/she may elect a withdrawal option.

| (2) Regardless of the employee's eligibility for  
| retirement benefits, he/she has many withdrawal options. If the  
| account balance is \$3,500, or less, the account balance will be paid  
| out automatically unless the employee otherwise advises the Thrift  
| Board. Other options are:

| (a) The money can be left in the account until age  
| 70 1/2.

| If the money is left in the TSP account after separation from federal  
| service, the money can continue to be distributed among the three TSP  
| funds. However, no contributions can be made after separation from  
| federal service.

| (b) The account balance can be transferred to an  
| Individual Retirement Account (IRA) or other eligible retirement plan  
| under the Internal Revenue Code.

| (c) The former employee can receive the account  
| balance in a single payment or a series of equal monthly payments over  
| a fixed period.

| (d) The former employee can receive a life annuity.  
| There are many types of annuities from which to choose, including a  
| single life annuity or one with a survivor annuity. The account  
| balance must be at least \$3,500 to purchase an annuity.

| (3) A former employee who was covered by the FERS  
| retirement system and is eligible for a FERS basic annuity must have  
| their spouse's consent to withdraw any money from their TSP account.  
| Spouse's consent is not needed if the former employee requests an  
| annuity from the TSP account with a survivor benefit for the spouse.  
| A former employee who was covered by CSRS need only notify their  
| spouse of a withdrawal.

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### **| |18-4.10.2 TSP In-Service Withdrawals**

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| TSP participants may now have access, under limited  
| circumstances, to funds in their TSP accounts while they are still  
| employed by the federal government. Two types of in-service  
| withdrawals are available to TSP participants.

| (1) Participants who are age 59 1/2 or older can make a  
| one-time withdrawal of all or a portion of their vested account  
| balances.

| (2) Participants, regardless of age, who can demonstrate  
| financial hardship can make a withdrawal of their own contributions  
| and the earnings on their contributions (up to the amount of their  
| documented hardship). After a participant makes a financial hardship  
| withdrawal, he/she cannot make contributions to the TSP or make  
| another financial hardship withdrawal for a period of six months. |

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#### **18-4.11 Taxing of TSP Benefits**

| Contributions to the employee's TSP account are taken out  
| of the employee's pay before federal (and, in most cases, state)  
| income taxes are computed; this means that the employee does not pay  
| income taxes on contributions to his/her TSP account in the years that  
| they are made. Also, the earnings on the TSP account are not subject  
| to federal income tax while the money is in the TSP. Therefore, all  
| of the money from the TSP account will be taxed as ordinary income for  
| federal income tax purposes in the year(s) that it is received. State  
| and local laws vary in the treatment of TSP withdrawals. Employees  
| should consult with their state or local tax authority concerning  
| taxation of a TSP withdrawal. The withdrawal method chosen determines  
| when income tax must be paid. |

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#### **18-4.12 TSP Beneficiary Designation**

(1) An employee may designate a beneficiary to receive a  
lump-sum refund of the employee's TSP account in case of the  
employee's death. A designation should only be made if the employee  
does not wish the payment to be made in the legal order of precedence,  
which is:

(a) To the widow or widower.

(b) If the widow(er) is deceased, to the children,  
with the share of a deceased child distributed among the decedents of  
that child.

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(c) If none of the above, to the parents in equal shares.

(d) If none of the above, to the executor of the estate.

(e) If none of the above, to the next of kin under the laws of the State in which the employee lived at the time of death.

(2) A designation may be made or updated at any time by filing a Form TSP-3 with the Thrift Board. DO NOT SEND TSP BENEFICIARY CHANGES TO THE BUREAU. It is important to keep the designation of beneficiary current. Changes in family status without a corresponding change in the designation of beneficiary may result in a settlement other than that intended by the employee.

(3) Upon the death of an employee, the beneficiary must make a withdrawal election. They may not leave the contributions in the TSP account.

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### **18-4.13 Account Statements**

The Thrift Board sends account statements to TSP participants at the beginning of each of the two annual open seasons (see Section 18-4.3). These statements are sent to the participant's home. THEREFORE, IT IS IMPORTANT FOR EMPLOYEES TO KEEP THEIR ADDRESS CURRENT. Employees who have a change of address must advise their division front office so the new address can be entered into the Bureau's computer system. Each pay period, the Bureau's Payroll Office forwards updated employee information to the Thrift Board, including the new address.

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### **18-4.14 ThriftLine (See 18-4.7.)**

(1) The ThriftLine is an interactive voice response system for the TSP. It is available 24 hours a day, seven days a week, from a touch-tone telephone by dialing (504) 255-8777. The ThriftLine offers monthly rates of return for the five TSP funds, monthly account balances, and status of loan requests or withdrawal requests. Also, the ThriftLine can be used to make, change, or cancel an interfund transfer.

(2) Specific information concerning an individual account may be obtained by using the Personal Identification Number (PIN).

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Individual PIN numbers were given on the account statements sent to participants in November, 1994, and all previous statements, but will not appear on future statements, with the exception of the first statement sent to new participants. The ThriftLine can also be used to replace a lost PIN number or to select a different PIN number.

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#### **| 18-4.15 TSP Web Site**

| The Thrift Board has provided a very user friendly web site which can be found at [www.tsp.gov](http://www.tsp.gov). All TSP bulletins, booklets, and forms can be found on this web site. It also provides the ability to access personal account information using the PIN. Estimated account balances at time of retirement can be calculated as well as projected annuity income estimates.

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#### **| 18-4.16 Rollovers to TSP Account**

| TSP participants may rollover or transfer funds from similar tax deferred retirement accounts into their TSP account. Types of accounts which are accepted for rollover are 401(k), 457, and traditional Individual Retirement Accounts (IRA). To request a rollover, the participant must complete and submit to the Thrift Board a Form TSP-60 which can be downloaded from the TSP web site.

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#### **| 18-5 |SOCIAL SECURITY (See 18-3.)**

| The Social Security system was established in 1935 as a supplementary form of retirement income. Since then, the program has been expanded to provide a partial replacement of earnings due to retirement, disability, or death of the wage earner. Social Security is administered by the Social Security Administration (SSA) of the Department of Health and Human Services, and the Bureau's only Social Security-related function is to withhold the Social Security tax for covered employees. However, the vast majority of Bureau employees will be affected by Social Security, either through their own Social Security benefits or those of certain relatives. This section of the MAOP describes the aspects of the Social Security program most likely to affect Bureau employees covered by CSRS or FERS.

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**| 18-5.1 | Coverage**

| All FERS employees are mandatorily covered by Social Security. So are all Executive Schedule (i.e., Presidential) appointments and noncareer positions in the Senior Executive Service. CSRS-covered employees are simultaneously covered by Social Security (through CSRS Offset) if they returned on or after 1/1/84 from a break in CSRS coverage lasting 366 or more days, or if they return to positions required to be under Social Security by law while retaining their CSRS coverage due to their previous service. Any employee hired for other than a permanent appointment is subject to Social Security; they can also be under CSRS or FERS if the law would also provide coverage under those systems. |

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**18-5.2 Benefits - Retirees (See 18-5.5(2).)**

(1) Social Security retirement benefits can be paid to workers who have at least one work credit, or "quarter of coverage," for each year after the year he/she reached age 21 and before the year he/she reaches age 62 if he/she was born after 1929. Workers born before 1930 must have at least one quarter of coverage for each year from 1950 through the year of reaching age 62. Most Bureau employees would need 40 quarters of coverage by the year they reach age 62 to qualify. However, the 40 quarters do not need to be earned continuously; up to four quarters may be earned each year, so many employees would qualify with just ten years of Social Security-covered employment. These quarters of coverage can be based on nonfederal employment as well as such federal civilian or military service subject to Social Security. A worker can apply for either (a) full Social Security benefits at age 65 to 67, depending on the year of birth,, or (b) reduced Social Security benefits at age 62, if he/she has met the minimum coverage requirement by the time he/she applies. The following chart shows the age at which full Social Security retirement benefits are payable:

Year of Birth	Retirement Age for full benefits	Year of Birth	Retirement Age for full benefits
1937	65	1955	66 and 2 months
1938	65 and 2 months	1956	66 and 4 months
1939	65 and 4 months	1957	66 and 6 months
1940	65 and 6 months	1958	66 and 8 months
1941	65 and 8 months	1959	66 and 10 months
1942	65 and 10 months	1960 and after	67
1943-54	66		

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(2) For workers who reach age 62 in 2002, the Social Security benefit (which SSA calls the Primary Insurance Amount (PIA)) is computed as follows:

90 percent of the first \$592 of the individual's Average Indexed Monthly Earnings (AIME) from Social Security-covered employment

plus

32 percent of \$593 to \$3,567 of his/her AIME

plus

15 percent of any remaining AIME over \$3,567

(3) The dollar amounts in the above formula are called "bend points," and they are adjustable each year. CSRS-covered employees should review Section 18-5.5 to determine how the Windfall Elimination Provision (WEP) would adjust the percentage by which the first bend point is multiplied (thereby lowering the total PIA for affected retirees). The full PIA (after WEP adjustment) would be payable if the retiree applies for Social Security benefits at age 65 to 67, depending on the year of birth. The PIA would be reduced by 5/9 of 1 percent for each month the retiree is under full retirement age if he/she applies for Social Security benefits before reaching that age. A cost of living adjustment (COLA), identical to the one made to CSRS annuities (see Section 18-2.15), is made each year to Social Security retirement benefits.

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### 18-5.3 Benefits - Others (See 18-5.6(1).)

(1) Fewer than half of all Social Security benefits paid in a given year are paid to retirees. The rest are paid to survivors of deceased retirees, to spouses and other family members of workers, for disability, and for Medicare health benefits.

(2) A spouse of a retired worker is eligible for separate Social Security benefits equal to 50 percent of that worker's PIA if the spouse is age 65 or older. If the spouse is at least age 62, but under age 65, the benefit would be equal to 37.5 percent of the retiree's PIA. If the spouse is caring for the retiree's child and the child is under age 16, the spouse's benefit would be 50 percent of the retiree's PIA regardless of the spouse's age. Former spouses who were married to Social Security-eligible retirees for at least ten years can also qualify for benefits as early as age 62. A CSRS retiree who also qualifies for a spousal Social Security benefit based on his/her spouse's or former spouse's work record may have that benefit seriously affected by the Public Pension Offset (see Section 18-5.6).

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(3) Employees can qualify for Social Security disability benefits at any age if they are unable to perform any gainful work and if the disability is expected to last (a) at least 12 months, or (b) until death, if expected sooner. The monthly disability benefit would be equal to an affected employee's PIA at the time the disability occurs, and it would not be reduced if it begins before age 65. See Section 18-3.10 for information about the effects Social Security disability benefits have on the computation of FERS disability benefits. No such effects are found under CSRS.

(4) The surviving spouse of a deceased worker can receive Social Security benefits equal to (a) the worker's full PIA if the spouse applies at age 65, (b) 82.9 percent of the PIA if the spouse applies at age 62, or (c) 71.5 percent of the PIA if the spouse either applies at age 60 or is disabled and applies between ages 50 and 59. Former spouses can also qualify for Social Security survivor benefits. As with spousal benefits described above, CSRS retirees who qualify for Social Security survivor benefits based on the work record of a spouse or former spouse may have those benefits seriously affected by the Public Pension Offset (see Section 18-5.6).

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#### 18-5.4 Effect on CSRS Offset Annuities

An employee simultaneously covered by CSRS and Social Security (coverage commonly called CSRS Offset) who retires under age 62 gets his/her full CSRS annuity (see Section 18-2.4) from the date of retirement until he/she reaches age 62 and qualifies for Social Security. At that point, the CSRS annuity is reduced by the amount of his/her Social Security benefit directly attributable to his/her Federal service covered simultaneously by CSRS and Social Security. There is no reduction made to the Social Security benefit on account of CSRS Offset, though reductions may be made to that benefit for other reasons as appropriate. Usually, the combined Social Security and CSRS amounts after the offset provide a greater benefit than the unreduced CSRS benefit alone.

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#### 18-5.5 Windfall Elimination Provision (WEP) (See 18-5.2(3).)

(1) Social Security benefits are weighted in favor of workers who spent most of their work lives in low-salaried positions. But Social Security counts only the employment subject to Social Security coverage in determining benefits. Many CSRS-covered employees qualified for Social Security due to military service and nonfederal employment. However, those employees were treated for Social Security purposes as if their Social Security-covered

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employment represented their whole life income, thereby drawing proportionately higher Social Security benefits than they would have if their federal service had been considered in computing those benefits. Public Law 98-21, the Social Security Amendments of 1983, contains the WEP in order to reduce or eliminate this unintended "windfall" benefit.

(2) A retiring employee's normal Social Security computation includes 90 percent of his/her Average Indexed Monthly Earnings (AIME) up to the first "bend point" (see Section 18-5.2). The WEP reduces this percentage to 40 percent if the retiree has fewer than 21 years of substantial Social Security coverage. The other two steps in the Social Security computation formula (see Section 18-5.2) are not affected by the WEP.

The percentage of AIME up to the first bend point (\$505 in 1999) varies as follows with years of substantial Social Security coverage:

YEARS OF COVERAGE	PERCENTAGE OF AIME TO FIRST BEND POINT
20 or fewer	40 (full WEP reduction)
21	45
22	50
23	55
24	60
25	65
26	70
27	75
28	80
29	85
30 or more	90 (no WEP reduction)

(3) The WEP does not affect the amount of a federal retirement benefit. Social Security benefits containing the WEP are paid from the first month the retiree simultaneously receives Social Security and his/her federal retirement benefit.

(4) The WEP has no effect on FERS Basic Benefits if they are based purely on FERS-covered employment. Some (but not all) FERS-covered employees with a CSRS component to their FERS Basic Benefits (see Section 18-3.4) could be affected by the WEP.

(5) The WEP does not apply to (a) federal workers first hired after 1983, (b) persons employed on 1/1/84 by a nonprofit organization in a position mandatorily covered under Social Security on that date, (c) persons with 30 or more years of substantial earnings under Social Security, (d) persons whose only pensions are based on railroad employment, (e) persons whose only non-Social Security employment was before 1957, and (f) federal workers who were first eligible for either Social Security or an immediate CSRS annuity on or before December 31, 1983.

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**18-5.6 Public Pension Offset (PPO) (See 18-5.3 (2) & (4).)**

(1) Under Social Security rules, an individual who qualifies for a Social Security benefit based on his/her own employment and for a spousal or survivor Social Security benefit based on someone else's work record (see Section 18-5.3) would have the spousal or survivor benefit reduced by the amount of the benefit based on his/her own employment. The PPO provides similar treatment to retired federal employees whose federal pensions are based on work not covered by Social Security, but who qualify for Social Security spousal or survivor benefits based on someone else's work record.

(2) The PPO reduces a retiree's Social Security spousal or survivor benefit by two-thirds of the amount of his/her federal pension. Often, this reduction will completely eliminate the Social Security spousal or survivor benefit. However, employees should bear in mind that (a) the PPO does not apply to individuals still working for the government (other than reemployed annuitants), and (b) the PPO does not reduce the Social Security spousal or survivor benefits of a federal employee's or retiree's spouse, unless the spouse also earned a federal pension in his/her own right.

(3) FERS-covered employees who have no CSRS component (see Section 18-3.4) are exempt from the PPO. So are those FERS-covered employees who transferred from CSRS during the 1987 FERS open season and 1988 belated election opportunity. FERS-covered employees who transferred from CSRS after January 1, 1988, must be subject to FERS for five years in order to escape the PPO. CSRS Offset employees are exempt from the PPO because they will be retiring from Social Security-covered employment. Also exempt are employees first eligible for a CSRS annuity before July 1, 1983, and were receiving one-half support from their spouses. Anyone first eligible for a CSRS annuity before December 1, 1982, who met the Social Security requirements for spousal benefits in effect on January 1, 1977, is also exempt from the PPO.

(4) The PPO has no effect whatsoever on a federal retiree's eligibility for Medicare benefits at age 65 based on the work record of his/her spouse.

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